

## Message Text

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67

ACTION EB-11

INFO OCT-01 ARA-16 EA-11 ISO-00 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 FRB-02 H-03 INR-10 L-03 LAB-06

NSAE-00 NSC-10 PA-04 RSC-01 AID-20 CIEP-02 SS-20

STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03 OMB-01

DRC-01 /173 W

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R 302359Z OCT 73

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 8650

INFO AMEMBASSY SAN SALVADOR

AMEMBASSY GUATEMALA

AMEMBASSY TEGUCIGALPA

AMEMBASSY MANAGUA

AMEMBASSY LA PAZ

AMEMBASSY TOKYO

AMEMBASSY SAN JOSE

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E.O. 11652: N/A

TAGS: EAGR MX

SUBJECT: GOM-MERCHANT AGREEMENT ON CONTRACTS FOR 1973-74  
COTTON CROP

REF: SAN SALVADOR 4025

1. GOM IMPOSED SOLUTION OCT. 6 TO COTTON PRICE PROBLEM BETWEEN  
PRODUCERS AND MERCHANTS ON PREVIOUSLY CONSUMATED FORWARD  
CONTRACTS FOR 1973-74 CROP. THE AGREEMENT WAS "PROPOSED" BY GOM  
ON OCT. 5 AND PRESENTED TO MERCHANTS IN MEETING OCT. 6 FOR  
RATIFICATION. WHEN THE AGREEMENT QUESTIONED BY SOME AGRICULTURE  
SECRETARY AGUIRRE REPORTEDLY  
STATED IN ESSENCE THAT THE AGREEMENT WOULD BE ANNOUNCED WITH OR  
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WITHOUT THE CONSENT OF THE SHIPPERS. MAIN PROVISIONS OF ANNOUNCE-

MENT WHICH SIGNED BY HIGH LEVEL GOM OFFICIALS, COTTON MERCHANTS, AND CONFEDERATION OF COTTON ASSOCIATIONS ARE: A) ANY CONTRACT FOR BASIS STRICT MIDDLING WHICH SPECIFIED PRICE 600 PESOS PER QUINTAL OR LESS NOW HAS NO REPEAT NO QUALITY RESTRICTIONS. ANY QUALITY MAY BE DELIVERED. B) WHEREAS CONTRACTS ORIGINALLY SPECIFIED NUMBER OF BALES WEIGHING 230 KILOS WITH PLUS OR MINUS 10 PERCENT WEIGHT TOLERANCE, FARMERS MAY NOW DELIVER 190 KILOS AVERAGE WEIGHT BALES AND BE IN COMPLIANCE WITH CONTRACTS. C) ANY UNCONTRACTED QUANTITIES OR QUANTITIES AVAILABLE AFTER MEETING CONTRACTS AS CHANGED UNDER (B) MAY BE SOLD FOR DOMESTIC USE ONLY AT NO LESS THAN 800 PESOS PER QUINTAL (63 US CENTS PER POUND) BASIS STRICT MIDDLING WITH QUALITY RESTRICTIONS IN FORCE AS PER ORIGINAL CONTRACTS. D) FARMERS WERE "ORDERED" TO MEET THEIR CONTRACTUAL OBLIGATIONS AS MODIFIED BY THIS ACTION, AND TO DELIVER THE COTTON.

2. SINCE JULY 10 MERCHANTS HAVE NOT BEEN ABLE BOOK NEW EXPORT BUSINESS. EXPORT CONTRACTS EXISTING PRIOR THAT DATE WERE REVIEWED BY GOM AND PERMITS GRANTED ON BASIS GOM INTERPRETATION OF LEGITIMACY. CONTRACTS TOTALLING MORE THAN 100,000 BALES REPORTEDLY NOT CONSIDERED FIRM COMMITMENTS AND DENIED EXPORT PERMITS. NO NEW EXPORT PERMITS EXPECTED BE ISSUED FOR 1973-74 CROP.

3. JAPANESE REPRESENTATIVES HAVE BEEN IN MEXICO RECENTLY BUT ACCORDING LOCAL TRADE SOURCES PURPOSE WAS TO STUDY DOMESTIC SITUATION RATHER THAN NEGOTIATE REGARDING EXPORT CONTRACTS. JAPANESE FIRMS HERE INVOLVED IN FARM CONTRACTS AS WELL AS DOMESTIC AND EXPORT SALES CONTRACTS.

4. COMMENT: NEW GOM STAND APPEARS FIRM AND INFLEXIBLE. SHIPPERS TRYING FRANTICALLY FIGURE WAY HONOR EXPORT COMMITMENTS AND STAY WITHIN CONDITIONS OUTLINED PARA 1. EXPORT CONTRACTS BASED ON NET TONNAGE RATHER THAN NUMBER BALES. GOM EXPORT PERMITS BASED ON NUMBER BALES RATHER THAN TONNAGE. THIS POSES PROBLEM OF HOW MEET TONNAGE COMMITMENTS WITH LIGHTER THAN USUAL BALES. POSSIBILITY EXISTS OF SELECTING HEAVIER BALES FOR EXPORT AND SELLING LIGHTER BALES DOMESTICALLY. SOME SHIPPERS REPORTEDLY LIMITED OFFICIAL USE

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TRYING THAT. IMPORTERS THREATENING CLAIM AGAINST EXPORTERS FOR CONTRACTED QUANTITIES NOT DELIVERED. TRADE SOURCES HERE CONFIDENT THAT THERE WILL BE NO RENEGOTIATION OF PRICES ON EXPORT CONTRACTS OR WITH FARMERS. THE TERMS OF THE AGREEMENT OUTLINED IN PARA 1, HOWEVER, HAVE EFFECT OF INCREASING FARMERS RETURNS. TO THE EXTENT THAT EXPORTERS UNABLE FILL EXPORT COMMITMENTS DUE TO LIGHTER THAN USUAL BALES DELIVERED BY FARMERS, THIS LATEST GOM ACTION WILL HAVE EFFECT CUTTING 1973-74 COTTON EXPORTS BY THE

SAME PROPORTION.

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## Message Attributes

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**Disposition Approved on Date:**  
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